REPORT

OF THE

SUPERINTENDENT OF PENSIONS

ON THE

ADMINISTRATION OF THE PENSION BENEFITS ACT

FOR

THE YEAR ENDING MARCH 31, 2002

103-05423/

Environment and Labour
Pension Regulation Division

www.gov.ns.ca

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April 30, 2003

The Honourable Ron Russell
Minister of Environment and Labour
P.O. Box 697
HALIFAX, NS B3J 2T8

Dear Sir:

Pursuant to the requirements of Section 94 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ended March 31, 2002.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

encl.

NMS/mm

TWENTY-FOURTH ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 2002

INTRODUCTION

In accordance with Section 94 of the *Pension Benefits Act* (RSNS, 1989, ch. 340), the Superintendent of Pensions is required to report annually to the Minister. This Report covers the affairs and transactions of the fiscal year 2001 - 2002.

The *Pension Benefits Act* governs employer-sponsored pension plans established in respect of Nova Scotia employees. It does not apply to employees engaged in work that is subject to federal jurisdiction, nor does it apply to the pension plans established for provincial public servants, teachers, judges, members of the legislature, or Sydney Steel Corporation.

The main objective of the *Pension Benefits Act* is to safeguard employee entitlements to benefits promised under private sector plans. This is accomplished through the establishment of minimum funding standards and minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, spousal benefits, prohibitions against sex discrimination and disclosure of information.

The Superintendent of Pensions, Pension Regulation Division, is responsible for the administration of the Act.

Based on information collected by the Division and provided to Statistics Canada 79,209 members participated in 479 pension plans regulated by the Division at January 1, 2001.

PENSION BENEFITS STANDARDS LEGISLATION

In addition to the *Pension Benefits Act* of Nova Scotia, pension benefits standards legislation has been enacted by the following governments:

Canada	Pension Benefits Standards Act, effective October 1967. Revised effective January 1, 1987.
Ontario	The Pension Benefits Act, 1965, effective January 1, 1965. Revised effective January 1, 1988.
Saskatchewan	The Pension Benefits Act, 1967, effective January 1, 1969. Revised effective January 1, 1993.

Quebec	Supplemental Pensions Plan Act, effective January 1, 1966. Revised effective January 1, 1990.
Manitoba	The Pension Benefits Act, effective July 1, 1976. Amended January 1, 1990.
Alberta	Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefit Act which was effective January 1, 1967).
Newfoundland	The Pension Benefits Act, effective January 1, 1985. Revised effective January 1, 1997.
New Brunswick	The Pension Benefits Act, effective January 1, 1992.
British Columbia	The Pension Benefits Standards Act, effective January 1, 1993.

The representatives of those authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas. Representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA).

CAPSA is an interjurisdictional association of pension supervisory authorities whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA met in April 2001 in Toronto and September 2001 in Winnipeg. CAPSA members also participated in two conference call meetings held in June 2001 and January 2002. The meetings focused on development of a model pension law, defined contribution plan investment disclosure, reciprocal agreement, plan governance, electronic information and investment policy.

In May 2001 CAPSA released a consultation paper on a governance guideline and implementation tool as well as a consultation paper on guidelines for electronic communication in the pension industry.

In September 2001 CAPSA approved the guidelines for the electronic exchange of information between pension plan sponsors and members.

Representatives of CAPSA also participate in the Joint Forum of Financial Market Regulators. The Joint Forum was established in January 1999 to discuss issues of common interest among Canadian securities, insurance and pension regulators arising from the growing integration of the financial services sector. One of the projects of the Joint Forum is the development of basic investment disclosure principles for capital accumulation plans. Such plans include defined contribution pension plans, group registered retirement savings plans, deferred profit sharing plans and employee profit sharing plans. In April 2001, the Joint Forum released, for consultation, a discussion paper on regulatory principles for capital accumulation plans.

AGREEMENTS WITH OTHER AUTHORITIES

Agreements with the Government of Canada and other provinces having pension legislation provide for the reciprocal registration, audit and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members. The regulatory body in the jurisdiction of registration applies the rules of other jurisdictions where applicable.

MEMORANDUM OF UNDERSTANDING

Statistics Canada and the Province have a Memorandum of Understanding respecting the employer pension plans under the custody and control of the Superintendent of Pensions. Under that Memorandum, information compiled by the Superintendent is submitted to Statistics Canada for the development of integrated social statistics for Canada.

The Province also has a Memorandum of Understanding with the Canada Customs and Revenue Agency (CCRA) to harmonize the exchange of data and information respecting employer pension plans under the control of the Superintendent of Pensions. Data from a joint Annual Information Return on pension plans is collected by the Superintendent of Pensions and shared with CCRA.

LEGISLATIVE REVIEW

On March 27, 2001, Bill No. 9 respecting amendments to the Pension Benefits Act had been introduced in the legislature. The amendments include numerous housekeeping changes that harmonize the Pension Benefits Act with most other jurisdictions, as well as changes relating to the distribution of surplus on pension plan wind up, and changes to the Life Income Fund. The Bill received second reading on May 25, 2001, and was before the Committee on Law Amendments in May 2001.

OPERATION OF THE DIVISION

As at March 31, 2002, the Division was responsible for the supervision of 478 pension plans. Six applications for registration were received during the fiscal year and fourteen of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED TRANSFERRED OR TERMINATED TO MARCH 31, 2001

	TOTAL AS AT MARCH 31, 2000	ADDITIONS - (DELETIONS)	TOTAL AS AT MARCH 31, 2001
Filed Plans	1363	6	1369
Plans Transferred From Other Jurisdictions	21	1	22
Applications Withdrawn	(14)	0	(14)
Plans Terminated	(809)	(16)	(825)
Plans Transferred To Other Jurisdictions	(74)	0	(74)
Active Plans On File	487	(9)	478
Deduct: Plans In Process of Registration	(6)	1	(5)
Registered Plans	481	(8)	473

A total of 11 Certificates of Registration were issued. Three plans submitted prior to April 1, 2001, and two submitted in 2001/02 require further documentation and/or amendments before they will be accepted for registration.

The Division received 1,267 pieces of correspondence during the 2001-02 period, and responded within an average of 20 days.

Two hundred ninety-five pension plan documents were approved during the fiscal year.

Refunds of surplus to employers totaling $3,109,332 were made in respect of three plans.

As of April 1, 2001, there were 151 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As of March 31, 2002, there were 162 on the List.

The following table shows that during the period under review, 16 pension plans were terminated covering 1,147 employees. There was no loss of pension coverage for the 1,046 members of plans merged with another. There was one partial plan termination affecting 8 members.

TERMINATED PENSION PLANS

REASON	# OF PLANS	# OF ACTIVE MEMBERS
No members left	2	0
Financial difficulty/bankruptcy	2	13
Company dissolved/sold	5	83
Replaced with Group RRSP	1	4
Merged with another	5	1,046
No reason given	1	1
Application withdrawn	0	0
TOTAL	**16**	**1,147**

CONTRIBUTIONS

In accordance with Section 27(1) of the *Pension Benefits Act*, the administrator of a pension plan registered in Nova Scotia is required to file an Annual Information Return (AIR) outlining the contributions made to the pension plan and changes in plan membership.

Contributions and membership data from filed Annual Information Returns are complied and forwarded to Statistics Canada for the inclusion in their Annual Report on pension plans in Canada. Information from the Return is also forwarded to CCRA.

Based on the Returns filed with the Division, total contributions for 2001 were $277,278,252, up from $248,162,352 in 2000.

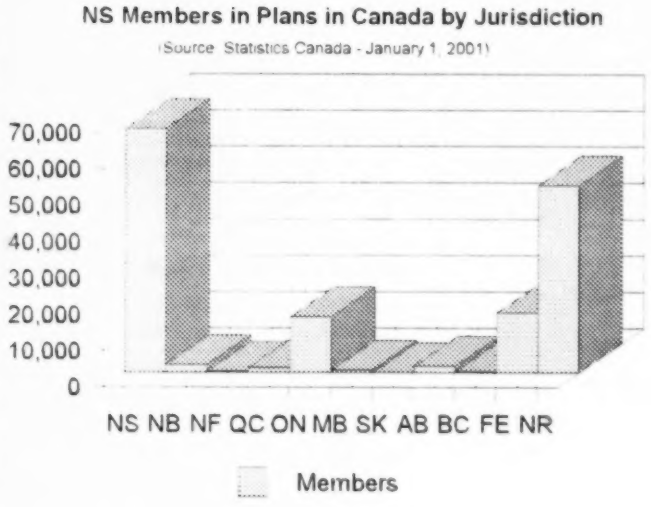
The employee and employer contributions to pension plans under supervision for the year ending December 31, 2001, were as follows:

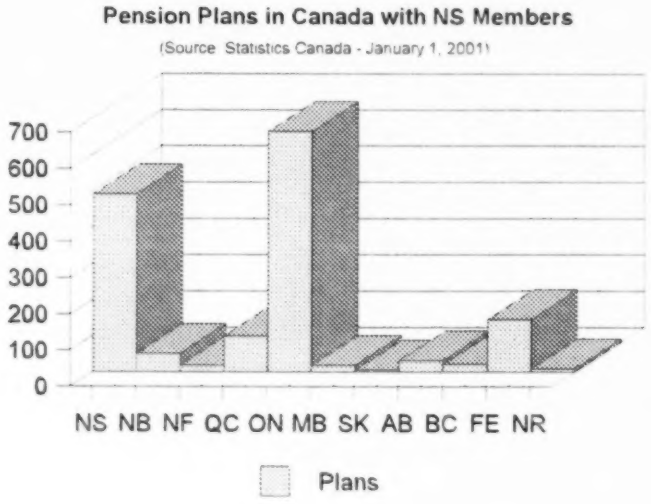
2001 CONTRIBUTIONS:

Employee Required Contributions	$92,082,098	
Employee Voluntary Contributions	6,158,407	
TOTAL EMPLOYEE CONTRIBUTIONS -	$98,240,505	$98,240,505
Actual Employer Current Service Contributions	$129,941,527	
Employer Contributions made from Surplus	34,540,640	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$164,482,167	
Employer Special Payments	14,555,580	
TOTAL EMPLOYER CONTRIBUTIONS -	$179,037,747	$179,037,747
TOTAL CONTRIBUTIONS		**$277,278,252**

JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

Information provided by Statistics Canada based on information collected by the Division indicates that as of January 1, 2001, there were 1,557 pension plans in all jurisdictions covering 162,058 Nova Scotia Employees. The Division supervised 479 plans covering 79,209 members; 11,194 of these members were employed in other provinces.



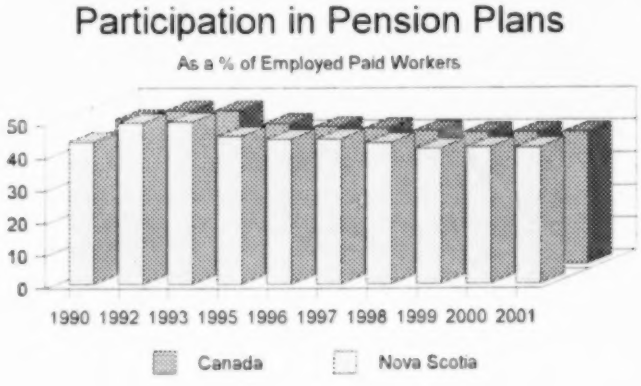


FE - Federal

N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges, Members of the Legislature, and employees of Sydney Steel, as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

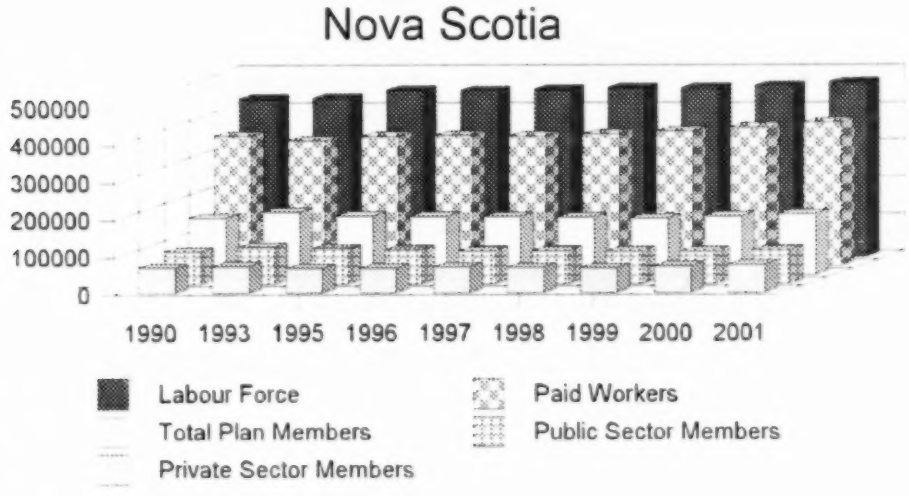
As shown below, participation of Nova Scotians in pension plans has declined slightly since 1990. Currently in Nova Scotia, 34.5% of the total labour force and 41.9% of employed paid workers participate in pension plans. Note that with respect to labour force coverage pension plan membership is potentially available to paid workers only; self-employed owners of unincorporated business, unpaid family workers and the unemployed are not eligible for membership.

(Source: Statistics Canada)



(Excludes self-employed & unpaid family workers)

Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently 54.8% of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:



During the period 1991 to 2000, the number of pension plan members in Canada, in the private sector, grew 7%, compared with a 3% decline in the public sector.

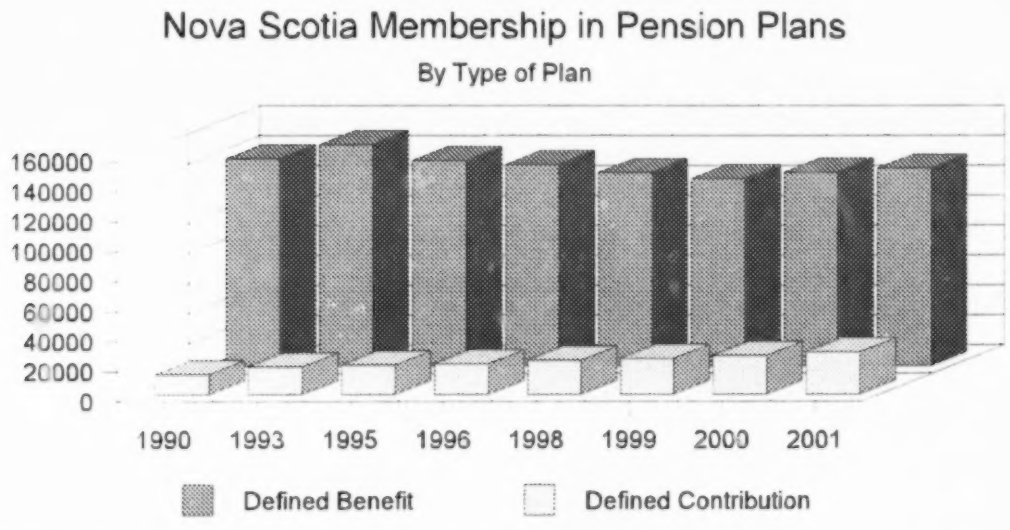
TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type.

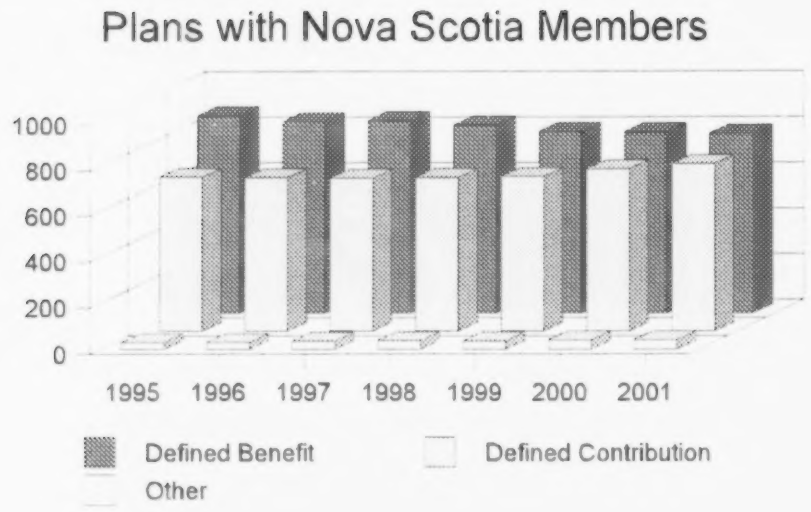
Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

A defined benefit plan contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure adequate funding of the benefits. To date, the most common type of plan is a defined benefit plan.

As of January 1, 2001, there were 28,380 Nova Scotia members participating in defined contribution plans, 131,986 participating in defined benefit plans and 845 in other composite/combination plans.

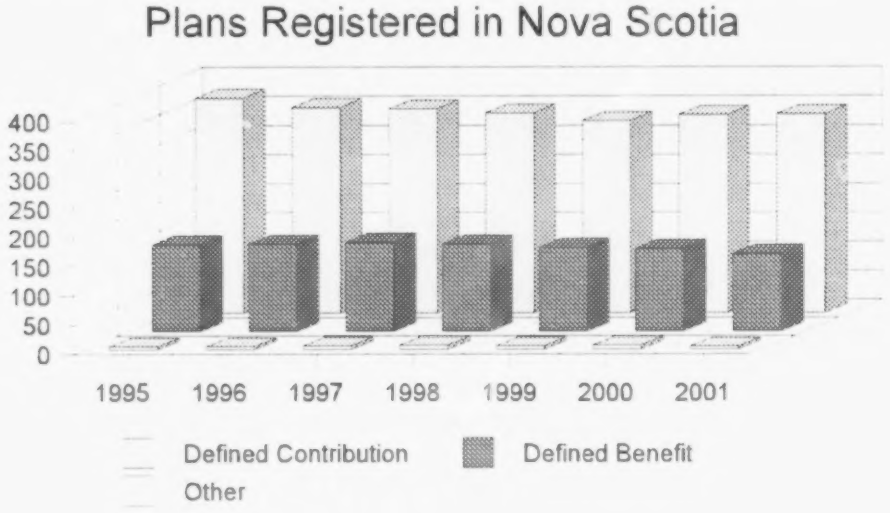


Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the above chart. Participation in both types of plans increased between 2000 and 2001.



The number of defined benefit pension plans with Nova Scotia members declined 9.3% from 1995 to 2001. The number of defined contribution plans with Nova Scotia members increased by 8.6%.

The number of defined contribution pension plans registered with Nova Scotia declined 7.6% between 1995 and 2001.



REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2002

Fees are payable in respect of all Applications for Registration of pension plans and for each Annual Information Return filed on a plan. The Registration and Annual Information filing fee is $5.00 for each member of the pension plan in Nova Scotia or in a designated province with a minimum fee of $100.00. The maximum fee is $5,000.00. A late filing fee is charged in respect of Annual Information Returns submitted more than six months after the end of the fiscal year of the pension plan. The additional fee is 50% of the regular fee.

The fee payable for registration by a financial institution of a specimen Life Income Fund is $1,000.00.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to $259,532.

Direct operating costs for the Division for the fiscal year 2000/01 were $169,799.